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EXECUTIVE SECRETARY

August 30, 1999

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VIA HAND DELIVERY

Guy Hicks, Esq.
BellSouth Telecommunications, Inc.
333 Commerce Street
Suite 2101
Nashville, Tennessee 37201-3300

Re: *Tariff Filing to Introduce BellSouth 25¢ Call Plan Service*
Docket No. 98-00307

Dear Guy:

We are serving you herewith AT&T's Responses to BellSouth's First Set of Data Requests in this matter. Copies are being served on other counsel of record and thirteen (13) copies are being served on David Waddell for the Tennessee Regulatory Authority.

Yours very truly,


Val Sanford

VS/ghc
Enclosures

cc: David Waddell (13 copies)
Richard Collier
Jon E. Hastings
James Wright
James P. Lamoureux
Garry Sharp

FILE

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee**

REC'D TN
REGULATORY AUTH.

'89 AUG 30 PM 3 48

Re: BellSouth Telecommunications, Inc.)
Tariff Filing to Introduce)
BellSouth 25¢ Call Plan Service)

Docket No. 98-00307

OFFICE
EXECUTIVE SECRETARY

AT&T'S RESPONSES TO BELL SOUTH'S FIRST DATA REQUESTS

AT&T Communications of the South Central States, Inc. ("AT&T") hereby serves and files its Responses to BellSouth's Data Requests.

DATA REQUESTS

1. Does AT&T contend that BellSouth's price for its proposed 25¢ Call Plan Service fails to comply with the price floor requirement set forth in T.C.A. §65-5-208(c). If so, please explain in detail the basis for AT&T's contention, including identifying all facts and producing all documents that support this contention.

Yes. AT&T contends that it is BellSouth's burden to make the showing required by T.C.A. § 65-5-208(c), and that, having failed to provide sufficient information in satisfaction of its burden, BellSouth's tariff must be denied. Without such information, e.g., all information supporting all revenue assumptions in BellSouth's price floor calculations, AT&T is unable to ascertain whether BellSouth's 25¢ Call Plan Service satisfies the requirements of T.C.A. § 65-5-208(c).

BellSouth has not provided sufficient information to AT&T or the TRA

to be able to conduct such an analysis. It is not AT&T's burden to prove that BellSouth's service fails the price floor calculation.

Moreover, BellSouth can not simply perform a calculation and declare itself in compliance with the statute because of the result of that calculation. Until BellSouth provides all supporting material for its calculations, it fails its burden of proof, it fails the requirement of the statute, and its tariff must be denied. In addition, from what information BellSouth has provided to AT&T, it is apparent that BellSouth has not conducted the price floor analysis correctly, e.g., by omitting certain cost elements from its price floor calculation, and thus its tariff fails the requirements of the statute and should be denied.

2. Section 65-5-208(c) provides, in part, that the price floor for an incumbent local exchange telephone company's competitive services "shall equal the incumbent local exchange telephone company's tariffed rates for essential elements utilized by competing telecommunications service providers plus the total long-run incremental cost of the competitive elements of the service." With regard to BellSouth's proposed 25¢ Call Plan Service, please identify:

- (a) all elements that comprise BellSouth's proposed 25¢ Call Plan Service which AT&T contends are "essential elements utilized by competing telecommunications service providers";

Assuming that BellSouth's 25¢ Call Plan Service is a competitive service within the meaning of T.C.A. § 65-5-208(c), the essential elements used

by AT&T and other competing telecommunications service providers within the meaning of the statute are BellSouth's intraLATA exchange access services, which competing telecommunications service providers must purchase from BellSouth in order to provide intraLATA services. The essential elements are switching, transport, and CCL.

- (b) the tariffed rate AT&T contends is applicable for each element identified in AT&T's response to subsection (a) of this Data Request;

The rates for access are the rates set forth in BellSouth's Tennessee access tariff. Using 10 miles of DS1 dedicated transport and a voice grade equivalent of 7,290 minutes of use, BellSouth's tariffed rates are as follows:

RATE ELEMENTS	7/1/99 Rates
<i>Carrier Common Line</i>	
- Originating	\$ 0.003293
- Terminating	\$ -
- TN Telecom Relay Service	\$ 0.002750
<i>Transport</i>	
- DS1 or DS3 Local Channel	\$ 0.000765
- Interconnection (RIC)	\$ -
- Originating	\$ -
- Terminating	\$ -
- DS1/Common Interoffice Chan.	\$ 0.001566
<i>Local Switching 2</i>	\$ 0.013160
- DS1/Common End Office Trunk	\$ -
- Information Surcharge	\$ -
Originating Total	\$ 0.018784
Terminating Total	\$ 0.018241
Total Unit Cost (zone 1)	\$ 0.037025

- (c) all elements that comprise BellSouth's proposed 25¢ Call Plan Service which AT&T contends are "competitive elements" of the service; and

The "competitive elements" of the service are all the cost elements BellSouth incurs in addition to the essential elements in providing its 25¢ Call Plan Service. Because AT&T does not possess information as to BellSouth's internal cost structure, AT&T does not possess the information as to what those cost elements are, or the amount of each such cost element. BellSouth did not provide information in this proceeding to allow AT&T to identify those cost elements of the service or the amount of each such cost element. However, a logical approach to identifying the competitive elements of BellSouth's service would be to begin with the cost components the TRA identified in the resale discount proceeding as cost components which BellSouth would avoid by providing service wholesale to its competitors. There is a logical analogy that may be drawn between the "avoided costs" of a resold service and the "competitive elements" of a service. Both concepts embody the idea of costs which may be borne competitively by carriers providing the same or similar service, and both concepts allow a comparison of equivalent competitive costs a competing telecommunications services provider must incur in the provision of the service. The TRA has identified the avoided costs as including costs in the following cost accounts:

Directly avoided (avoided at 100%)

- **Account 6611 Product management**
- **Account 6612 Sales**
- **Account 6613 Product advertising**
- **Account 6623 Customer service**

Indirectly avoided (at 15%)

- **Account 6121 Land and buildings**
- **Account 6122 Furniture and artwork**
- **Account 6123 office equipment**
- **Account 6124 general purpose computer**
- **Account 6711 executive**
- **Account 6712 planning**
- **Account 6721 accounting and finance**
- **Account 6722 external relations**
- **Account 6723 human resources**
- **Account 6724 information management**
- **Account 6725 legal**
- **Account 6726 procurement**

Indirectly avoided (at 100%)

Account 5301 uncollectable revenues.

Finally, an additional cost which must be included in the competitive elements calculation is the cost to terminate calls to non-BellSouth LECs in the LATA. That is a cost that BellSouth incurs in the provision of its service and it is a competitive cost that AT&T or any other competitor would incur if it were to provide this service in competition with BellSouth.

- (d) the long-run incremental cost AT&T contends is applicable for each element identified in AT&T's response to subsection (c) of this Data Request.

It is BellSouth's burden to identify the competitive elements of its service and to identify the TELRIC of those elements. AT&T does not have sufficient information, i.e., the cost components or the amount of costs of each cost component, available to it to perform the analysis set forth in T.C.A. §65-5-208(c).

3. Does AT&T contend that BellSouth's price for its proposed 25¢ Call Plan Service fails to comply with the stand alone cost requirement set forth in T.C.A. §65-5-208(d)? If so, please explain in detail the basis for this contention, including identifying all facts supporting and producing all documents that support this contention.

AT&T contends that it is BellSouth's burden to make the showing required by T.C.A. §65-5-208(d), and that BellSouth has failed to provide sufficient information to satisfy its burden. While BellSouth has performed a calculation in an effort to demonstrate compliance with the statute, BellSouth has not provided any rationale for the methodology underlying its calculation and has not provided any supporting information whatsoever for any of the assumptions in its calculation. Until BellSouth provides such information, it can not meet its burden under the statute and AT&T can not fully evaluate whether its service satisfies the stand alone requirements of the statute.

4. Please explain in detail the manner in which AT&T contends the "stand alone cost" of BellSouth's proposed 25¢ Call Plan Service should be calculated pursuant to T.C.A. §65-5-208(c), identify what AT&T contends

such “stand alone cost” to be, and produce all documents supporting this contention.

See AT&T’s response to No. 3, above.

5. Does AT&T contend that BellSouth’s proposed 25¢ Call Plan Service is anticompetitive, unfair, or discriminatory? If so, please explain in detail the basis for each such contention, including identifying all facts and producing all documents that support such contentions.

Yes. BellSouth’s 25¢ Call Plan Service is anticompetitive, unfair, and discriminatory. BellSouth remains the monopoly provider of intraLATA access in its Tennessee service territory. BellSouth prices intraLATA access service in Tennessee effectively on a per minute basis only. Thus, through its \$0.25 per call plan, BellSouth is proposing to charge its end user Tennessee customers for intraLATA service on a per message or per call basis, while charging its competitors (its wholesale customers) *only* on a per minute basis for intraLATA access. Indeed, BellSouth intends to position this difference between per minute and per call pricing as a major selling point of the plan. By continuing to charge for intrastate intraLATA access on a per minute basis (that greatly exceeds the cost to provide access) while charging end user retail customers for intraLATA calling on a per call or flat fee per month basis, BellSouth discriminates in the provision of service and engages in anti-competitive conduct. Moreover, BellSouth’s current intrastate intraLATA access rates will allow BellSouth to use these

plans to prevent providers of intraLATA toll service in Tennessee from competing with BellSouth. BellSouth has priced its plan so that, when compared with the per minute cost of access, intraLATA toll carriers will be prevented from competing for a substantial number of Tennessee customers. It will be nearly impossible for any intraLATA carrier to cover its access costs, let alone its own internal variable costs, if it tries to compete with BellSouth's plan by pricing IntraLATA calls at \$0.25 per call.

6. Does AT&T contend that BellSouth's proposed 25¢ Call Plan Service will unreasonably or unjustly discriminate against non-BellSouth customers, unduly prefer BellSouth's customers, promote price squeezing, promote price discrimination, or constitute other anticompetitive practices in violation of T.C.A. §§65-4-115, 65-4-122, or 65-5-204? If so, please explain in detail the basis for such contentions, including identifying all facts and producing all documents that support such contentions.

Yes. See AT&T's response to No. 5, above. Tennessee consumers using AT&T or other IXC's to complete intraLATA calls must pay much higher rates than those which would be charged by BellSouth under the subject tariff as a result of the inflated intraLATA exchange access rates which AT&T and other IXC's must pay to BellSouth for the origination and termination of intraLATA toll calls. As repeatedly conceded by BellSouth, such access charges are well above the cost of

providing such access, which results in AT&T and other IXC's incurring costs to provide intraLATA toll calls which BellSouth does not incur itself.

7. Does AT&T contend that BellSouth's proposed 25¢ Call Plan Service constitutes an unjust or unreasonable increase, change, or alteration of rates in violation of T.C.A. §65-5-203? If so, please explain in detail the basis for such contention, identify all facts supporting this contention, and produce all documents supporting this contention.

Yes. See AT&T's response to Nos. 5 and 6, above.

8. Paragraph 10 of AT&T's "Petition/Complaint" alleges that "consumers using AT&T or other IXC's to complete intraLATA calls must pay much higher rates than those which would be charged by BST under the subject tariff." Please explain in detail the basis for this contention, including identifying all facts and producing all documents that support this allegation.

Tennessee consumers using AT&T or other IXC's to complete intraLATA calls must pay much higher rates than those which would be charged by BST under the subject tariff as a result of the inflated intraLATA exchange access rates which AT&T and other IXC's must pay to BellSouth for the origination and termination of intraLATA toll calls. The true cost of access is the economic cost of interconnection, such as the cost which will be established in the UNE Permanent Cost proceeding, which is the cost BellSouth incurs in providing intraLATA

services. However, as repeatedly conceded by BellSouth, access charges are priced well above the cost of providing such access, which results in AT&T and other IXCs incurring costs to provide intraLATA toll calls which BellSouth does not incur itself. As an example, Tennessee consumers which make 15 intraLATA calls per month and average 16 minutes per call would be charged by BellSouth under its 25¢ Calling Plan \$8.70, whereas an IXC would be billed \$8.89 by BellSouth if that same consumer used the IXC's intraLATA service.

9. Does AT&T contend that BellSouth's proposed 25¢ Call Plan Service is anticompetitive or discriminatory because it will allow BellSouth to charge its end user customers for intraLATA service on a per message or per call basis, while charging AT&T and other IXCs only a per minute basis for access?

Yes, the per message structure of the service, combined with BellSouth's inflated per minute of use access charges constitutes an unjust, and unduly preferential and discriminatory practice, rates, and charges for the reasons generally set forth in AT&T's Petition for Leave to Intervene. BellSouth's retail pricing scheme insures that a segment of the Tennessee intraLATA consumer market prefers BellSouth's service charges, because competitive market prices are driven by the competitor's inflated access expense.

10. If the answer to the foregoing Data Request is in the affirmative, please admit that:

- (a) in *In re: BellSouth Telecommunications, Inc. 's Tariff Filing to Offer LATA Wide Area Plus®* Docket 98-00634, AT&T argued that BellSouth's proposed LATA Wide Area Plus® Service was anticompetitive and discriminatory because it offered BellSouth customers an intraLATA calling plan for a flat monthly fee, while AT&T and other IXCs must pay access charges on a per minute of use basis.

Deny. One of AT&T's arguments in *In re: BellSouth Telecommunications, Inc. 's Tariff Filing to Offer LATA Wide Area Plus®* Docket 98-00634 was that BellSouth's proposed LATA Wide Area Plus® Service is anticompetitive and discriminatory because it offers BellSouth customers an intraLATA calling plan for a flat monthly fee, while AT&T and other IXCs must pay access charges on a per minute of use basis. However, AT&T's argument was not limited to the structure of the fee versus the structure of access charges. It also included the inflated above-cost rates BellSouth charges for access in Tennessee.

- (b) the Authority approved BellSouth's LATA Wide Area Plus® Service finding that the service was neither anticompetitive nor discriminatory;

Admit. The TRA did orally approve BellSouth's LATA Wide Area Plus® Service. However, a written decision has not been issued, and there have been no written findings that the service is neither

anticompetitive or discriminatory.

- (c) since the Authority found that BellSouth's LATA Wide Area Plus® Service is not anticompetitive or discriminatory even though it offers BellSouth customers an intraLATA calling plan for a flat monthly fee while AT&T and other IXC's pay only on a per minute basis for access, for the Authority to be consistent it should find that BellSouth's 25¢ Call Plan Service is not anticompetitive or discriminatory even though it allows BellSouth customers to pay for intraLATA service on a per message or per call basis, while AT&T and other IXC's pay only on a per minute basis for access.

Deny.

11. If any of the Requests for Admission in Data Request No. 10 are denied in whole or in part, state all facts and identify all documents that support such denial.
- (a) See response to 10a, above.
- (c) **BellSouth's LATA Wide Area Plus® Service and 25¢ Call Plan Service are two unique service offerings and are subject to separate determinations of fact, for the reasons discussed in AT&T's Petition for Leave to Intervene and herein.**
12. Have you reviewed the cost studies and supporting documentation underlying BellSouth's proposed 25¢ Call Plan Service that were filed by BellSouth pursuant to the Report and Recommendation of the Pre-Hearing Officer? If so, identify with particularity each and every aspect of

BellSouth's cost studies and supporting documentation, including the results, assumption, or calculations, with which AT&T disagrees in whole or in part. In answering this Data Request, please provide the results, assumptions, or calculations that AT&T contends should be used.

AT&T has not completed its review of BellSouth's cost studies.

However, as repeatedly conceded by BellSouth, access charges are priced by BellSouth well above the cost of providing such access, which results in AT&T and other IXCs incurring costs to provide intraLATA toll calls which BellSouth does not incur itself. BellSouth's cost study filing is generally deficient in failing to identify all access charges incurred by IXCs that rely on BellSouth's local monopoly network in providing intraLATA services.

Respectfully submitted,




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Attorneys for AT&T Communications
of the South Central States, Inc.

CERTIFICATE OF SERVICE

I, Val Sanford, hereby certify that I have served the original of AT&T's Responses to BellSouth's First Data Requests to Guy Hicks, Esq., BellSouth Telecommunications, 333 Commerce Street, Suite 2102, Nashville, Tennessee and copies to Richard Collier, Esq., Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, TN 37201; Jon E. Hastings, Esq., Boulton, Cummings, Conners & Berry, PLC, 414 Union Street, Suite 1600, Nashville, TN 37219 and James Wright, Esq., United Telephone – Southeast, 14111 Capitol Blvd., Wake Forest, NC 27587, this 30th day of August, 1999.



Val Sanford

CERTIFICATE OF SERVICE

I, Val Sanford, hereby certify that I have served the original of AT&T's Responses to BellSouth's First Data Requests to Guy Hicks, Esq., BellSouth Telecommunications, 333 Commerce Street, Suite 2102, Nashville, Tennessee and copies to Richard Collier, Esq., Tennessee Regulatory Authority, 460 James Robertson Parkway, Nashville, TN 37201; Jon E. Hastings, Esq., Boulton, Cummings, Conners & Berry, PLC, 414 Union Street, Suite 1600, Nashville, TN 37219 and James Wright, Esq., United Telephone – Southeast, 14111 Capitol Blvd., Wake Forest, NC 27587, this 30th day of August, 1999.



Val Sanford